

DOWNSVILLE CHARTER SCHOOL, INC.
FINANCIAL REPORT
JUNE 30, 2013

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 05 2014

DOWNSVILLE CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

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DON M. McGEHEE
(A Professional Accounting Corporation)

P O Box 1344
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Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
Downsville Charter School, Inc
4787 Hwy 151
Downsville, Louisiana 71234

Report on the Financial Statements

I have audited the accompanying financial statements of Downsville Charter School, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downsville Charter School, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Performance and Statistical Data included as Schedules 1 through 9, as required by Louisiana Revised Statute 24:514, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 17, 2014, on my consideration of the Downsville Charter School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Downsville Charter School's internal control over financial reporting and compliance.



Don M. McGehee
Certified Public Accountant
January 17, 2014

DOWNSVILLE CHARTER SCHOOL, INC.**STATEMENT OF FINANCIAL POSITION****AS OF JUNE 30, 2013****ASSETS****CURRENT ASSETS**

Cash \$ 151,315

Grant Receivables 17,627**TOTAL CURRENT ASSETS** 168,942**RESTRICTED ASSETS**Cash 42,987**TOTAL RESTRICTED ASSETS** 42,987**TOTAL ASSETS** \$ 211,929**LIABILITIES AND NET ASSETS****LIABILITIES****CURRENT LIABILITIES**

Accounts Payable \$ 7,106

Accrued Payroll and Related Amounts 216,307

Current Portion of Compensated Absences 13,248**TOTAL CURRENT LIABILITIES** 236,661**COMPENSATED ABSENCES LIABILITY** 59,881**TOTAL LIABILITIES** 296,542**NET ASSETS**

Unrestricted (127,600)

Temporarily Restricted 42,987**TOTAL NET ASSETS** (84,613)**TOTAL LIABILITIES AND NET ASSETS** \$ 211,929

See accompanying notes to financial statements

DOWNSVILLE CHARTER SCHOOL, INC.**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013****CHANGES IN UNRESTRICTED NET ASSETS:****SUPPORT AND REVENUES**

Contributions	\$ 1,222
Grants	
Federal Grant	17,627
State Minimum Foundation Program	1,843,884
Local Minimum Foundation Program	920,877
Interest Income	36
Other	<u>4,222</u>
TOTAL REVENUES	<u>2,787,868</u>

EXPENSES**Program Services**

Instruction	
Regular Programs	1,765,945
Special Education Programs	166,536
Career and Technical Education Programs	62,928
Other Instructional Programs	8,903
Instructional Staff Services	63,982
School Administration	172,132
Operation and Maintenance of Plant Services	238,941
Student Transportation Services	284,243
Food Service Operations	53,515
Management and General	
Business Services	65,451
General Administration	29,729
Central Services	<u>3,163</u>
TOTAL EXPENSES	<u>2,915,468</u>

CHANGE IN UNRESTRICTED NET ASSETS (127,600)

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Net Assets that were Restricted	<u>42,987</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>42,987</u>

CHANGE IN NET ASSETS (84,613)

NET ASSETS - BEGINNING OF YEAR 0

NET ASSETS - END OF YEAR \$ (84,613)

See accompanying notes to financial statements

DOWNSVILLE CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government and Others	\$ 2,886,320
Cash Payments for Goods and Services	(1,389,119)
Cash Payments to Employees	(1,302,935)
Interest Received	<u>36</u>
Net Cash Provided by Operating Activities	<u>194,302</u>

NET INCREASE IN CASH 194,302

CASH AT BEGINNING OF YEAR 0

CASH AT END OF YEAR \$ 194,302

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in Net Assets	\$ (84,613)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
(Increase) Decrease in Grant Receivables	(17,627)
Increase (Decrease) in Accounts Payable	7,106
Increase (Decrease) in Accrued Liabilities	671
Increase (Decrease) in Salaries Payable	215,636
Increase (Decrease) in Compensated Absences	<u>73,129</u>
Total Adjustments	<u>278,915</u>
Net Cash Provided by Operating Activities	\$ <u><u>194,302</u></u>

CASH PER STATEMENT OF FINANCIAL POSITION:

Current Cash	\$ 151,315
Restricted Cash	<u>42,987</u>

Total Cash at End of Year \$ 194,302

DOWNSVILLE CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Downsville Charter School, Inc (the "School") was incorporated on May 2, 2012, under the provisions of Title 12, Section 101, of the Louisiana Revised Statutes. The School is exclusively for educational purposes with respect to operating Downsville Charter School in Downsville, Union Parish, Louisiana.

The Union Parish School Board (UPSB) approved the granting of a charter to the School effective July 1, 2012, for a period of five years and will terminate on June 30, 2017, contingent upon the results of the reporting requirements at the end of the third year as provided in Louisiana R S 17 3998(A)(2) and the extension process as provided in Chapter 13 of BESE Bulletin 126. If the UPSB grants the School an extension, the charter will be for a period of 10 years, expiring June 30, 2022. The School is a Type 3 Charter School, as defined in Louisiana R S 17 3973(3)(b).

The School files an information return for organizations exempt from Federal Income tax under the provisions of section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity. If the School loses the exempt status, any income in future years could be taxed at normal corporate rates.

A summary of the School's significant accounting policies consistently applied in the preparation of the financial statements follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the School are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recognized when earned and expenses are recognized when incurred.

FINANCIAL STATEMENT PRESENTATION

The School follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions. Some unrestricted net assets may be designated by the board of directors of the School for specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by the actions of the School or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that are required to be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on these assets to be used for general or specific purposes.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DOWNSVILLE CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash, which is held in interest bearing and non-interest bearing demand deposit accounts, consisted of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified the use of the contribution.

The School classifies all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

RECEIVABLES

Receivables are stated at the amount management expects to collect from outstanding balances. Management believes all receivables are collectible and therefore has not recognized a provision for doubtful accounts. The school received government grants to fund programs and operations. The grants are reimbursement based and grants receivable at the year end are stated at unpaid balances for expenditures incurred during the year.

CONTRIBUTION AND REVENUE RECOGNITION

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs of the School, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State of Louisiana Public School Fund (the State) and the Union Parish School Board (UPSB). The funding the School receives is determined on an annual basis based on the number of pupils enrolled as of October 1st. The State funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. The UPSB's funded per pupil allocation from sales tax revenues, ad valorem taxes, and other sources is determined by the relationship of the number of pupils in the School versus total pupils in the UPSB's system.

PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant, and equipment in excess of \$5,000 are capitalized. Property, plant, and equipment are stated at cost. Assets donated are carried at the fair market value on the date of the donation, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Interest incurred during the construction period is reflected in the capitalized value of the asset constructed.

INCOME TAXES

The School's Forms 990, Return of Organization Exempt from Income Tax, for the year ending in 2013 is subject to examination by the IRS, generally for three years after it is filed.

DOWNSVILLE CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

All twelve month employees earn from ten to fifteen days of vacation leave each year, based on years of service. Vacation cannot be accumulated. There are no accumulated or vested benefits relating to vacation leave that require accrual or disclosure at year end.

All twelve month employees earn from twelve to eighteen days of sick leave each year, depending on their length of service. Nine month employees earn ten days of sick leave each year. Sick leave can be accumulated up to 90 days. Upon retirement or death, unused accumulated sick leave or up to 25 days is paid to the employee or to the employee's estate at the employee's current rate of pay. Under the Louisiana Teachers' Retirement System and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement benefit computation as earned service.

Compensated absences are accrued as a liability when the employees' right to receive compensation is attributable to service already rendered, the compensation rights vest or accumulate, the compensation payment is probable, and the amount can be reasonably estimated. Based on this criteria, the School accrues earned sick leave for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the next five years to receive such payments.

NOTE 2 - CASH

At June 30, 2013, the carrying amount of cash was \$151,315 which approximates market value. The School's bank balances per the banks totaled \$368,528. All of the bank balances at June 30, 2013 were collateralized by Federal Depository Insurance.

NOTE 3 - GRANT RECEIVABLES

At June 30, 2013, grant receivables totaled \$17,627, which was for a federal grant passed through the Union Parish School Board. The stated balance is considered fully collectible.

NOTE 4 - RESTRICTED ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets at June 30, 2013, were for student activities funds.

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Effective July 1, 2012, the School entered into an agreement with the Union Parish School Board (UPSB), allowing the School to use the UPSB's facilities and contents located at 4787 Highway 151, Downsville, Louisiana 71234. The agreement expires June 30, 2017, unless the UPSB grants an extension to June 30, 2022. The School pays an annual lease of \$1,200 according to the agreement. The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

Any use of the property that would be considered donated is not recorded as an in-kind contribution from the UPSB. The value of the property is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

DOWNSVILLE CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Any assets acquired by the School are the property of the School for the duration of their charter agreement with the Union Parish School Board. If the charter is revoked or surrendered or the school otherwise ceases to operate, all assets purchased with public funds shall automatically revert to full ownership by the Union Parish School Board. The School must maintain records of any assets acquired with private funds that will remain the property of the School. There are no asset acquisitions by the School which have met or exceeded the School's \$5,000 capitalization policy.

NOTE 6 - RETIREMENT PLANS

Substantially all employees of the School participate in either the Teachers' Retirement System of Louisiana ("TRSL") or the Louisiana School Employees' Retirement System ("LSERS"). Both of these systems are cost sharing, multiple-employer governmental defined benefit plans qualified under Section 401(a) of the Internal Revenue Code. Both plans provide retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL and LSERS issue publicly available financial reports that include financial statements and required supplementary information of the TRSL and the LSERS. The reports may be obtained by writing the Teachers' Retirement System of Louisiana, P O Box 94123, Baton Rouge, LA 70804-9123, and the Louisiana School Employees' Retirement System, P O Box 44516, Baton Rouge, LA 70804-4516.

In general, professional employees (such as teachers and principals) are members of the TRSL. Other employees, such as custodial personnel, are members of the LSERS. Generally, all full-time employees are eligible to participate in the systems.

Participants in TRSL vest immediately in employee contributions to the plans. Retirement benefits vest after five years of service if the employee reaches age sixty, otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. For the year ended June 30, 2013, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 24.5% of the annual covered payroll for each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the year ended June 30, 2013, the School contributions to this plan were \$341,264, equal to the required contributions for the year.

Participants in LSERS vest immediately in employee contributions to the plans. Retirement benefits vest after five years of service for members on or after July 1, 2010, or ten years of service for members prior to that date, but the employee cannot begin receiving a benefit until age sixty. Members before July 1, 2010 may begin receiving their benefits at age 55, if they have at least twenty-five years of service. Benefits are established and amended by state statute. For the year ended June 30, 2013, participants were required to contribute 7.5% or 8% of their annual covered payroll to the plan, depending on the date they became members, and the School was required to contribute 30.8% of the annual covered payroll for each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the year ended June 30, 2013, the School contributions to this plan were \$16,272, equal to the required contributions for the year.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

The School was approved to receive a \$100,000 loan for building improvements, but did not receive the loan until after year end.

The School has evaluated subsequent events through January 17, 2014, the date which the financial statements were available to be issued.

OTHER REPORTS AND SCHEDULES

DON M. McGEHEE
(A Professional Accounting Corporation)

P O Box 1344
205 E Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of the
Downsville Charter School, Inc
4787 Hwy 151
Downsville, Louisiana 71234

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Downsville Charter School, Inc (a non-profit organization), which comprise the statement of financial position as of and for the year ended June 30, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated January 17, 2014

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Downsville Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Downsville Charter School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Downsville Charter School's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control that I consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as #2013-1 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downsville Charter School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as #2013-2.

Downsville Charter School's Response to Findings

Downsville Charter School's responses to the findings identified in my audit are described in Management's Corrective Action Plan on page #14. Downsville Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Downsville Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Don M. McGehee
Certified Public Accountant
January 17, 2014

DOWNSVILLE CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

I have audited the financial statements of the Downsville Charter School, Inc. as of and for the year ended June 30, 2013, and have issued my report thereon dated January 17, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2013, resulted in an unqualified opinion.

Summary of Auditor Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

Findings - Financial Statements Audit

Reportable Conditions

2013-1. The Downsville Charter School has inadequate segregation of duties over the accounting system. There are too few personnel involved in the accounting system to have adequate separation of duties for internal control.

2013-2. Downsville Charter School's annual audit was not submitted to the Legislative Auditor within six months of year end.

DOWNSVILLE CHARTER SCHOOL, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2013, are discussed below with management's response for a corrective action plan

Findings - Financial Statements Audit

Reportable Conditions

2013-1 Improper Segregation of Duties

Recommendation Too few personnel are involved in the accounting system to have adequate separation of duties for internal control Proper separation of duties could be accomplished by hiring additional personnel

Response The School's accounting workload can be adequately managed by the current staff Until budgeting allows for additional accounting personnel to provide enhanced internal control, the current staff will make changes to the procedrues in place to add additional security controls

2013-2 Late Submission of Audit Report

Recommendation Downsville Charter School's annual audit was not submitted to the Legislative Auditor within six months of year end This was the first year the School was in operation and changes in the accounting staff were made during the year A new business manager was hired, but it took longer than expected to gather the information required to perform the audit I recommend allowing extra time to complete the audit next year by gathering the information required as soon as possible after year end

Response The School's new business manager has already begun preparing for next year's audit by making changes in the accounting system and records These changes should make gathering information for the audit more efficent and allow them to have all the information required for the audit as soon as possible after year end

**SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:524 - PERFORMANCE AND STATISTICAL DATA)**

DON M. McGEHEE
(A Professional Accounting Corporation)

P O Box 1344
205 E Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors of the
Downsville Charter School, Inc
4787 Hwy 151
Downsville, Louisiana 71234

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Downsville Charter School, the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Downsville Charter School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

My procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (Schedule 1)**

1 I selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

No exceptions found

Education Levels of Public School Staff (Schedule 2)

2 I reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school supporting payroll records as of October 1.

No exceptions found

- 3 I reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule

No exceptions found

- 4 I obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule I traced a random sample of 25 teachers to the individual personnel files and determined if the individual's education level was properly classified on the schedule

No exceptions found

Number and Type of Public Schools (Schedule 3)

- 5 I obtained a list of schools by type as reported on the schedule I compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84 010) application and/or the National School Lunch Program (CFDA 10 555) application

No exceptions found

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

- 6 I obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual personnel files and determined if the individual's experience was properly classified on the schedule

No exceptions found

Public School Staff Data: Average Salaries (Schedule 5)

- 7 I obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual personnel files and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule

No exceptions found

- 8 I recalculated the average salaries and full-time equivalents reported in the schedule

No exceptions found

Class Size Characteristics (Schedule 6)

- 9 I obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5 I then attempted to trace a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule

The information on Schedule 6 was prepared by the Union Parish School Board The School provided a list of classes and class size, but it was not as of October 1 and did not agree with the data presented in Schedule 6 The School provided the roll books for testing, but I was unable to determine if the sample of classes were properly classified on the schedule without the October 1 list of classes

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. I obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Downsville Charter School.

No exceptions found.

Graduation Exit Examination (GEE) (Schedule 8)

11. Information is not applicable for 2013.

iLEAP Tests (Schedule 9)

12. I obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Downsville Charter School.

No exceptions found.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Downsville Charter School, the Union Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Don M. McGehee
Certified Public Accountant
January 17, 2014

DOWNSVILLE CHARTER SCHOOL, INC.
Downsville, Louisiana
Schedules Required by State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2013

**Schedule 1 - General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelors, Masters, Masters +30, Specialist in Education, and Ph D or Ed D degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 - Experience of Public Principals, Assistant Principals,
and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data: Average Salaries

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes one year of data.

Schedule 8 - Graduation Exit Examination (GEE)

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes no data.

Schedule 9 - iLEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes one year of data.

DOWNSVILLE CHARTER SCHOOL, INC.
Downsville, Louisiana
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2013

Schedule 1

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 1,291,021	
Other Instructional Staff Activities	80,161	
Instructional Staff Employee Benefits	494,060	
Purchased Professional and Technical Services	44,906	
Instructional Materials and Supplies	17,762	
Instructional Equipment	<u>0</u>	
Total Teacher and Student Interaction Activities		\$ 1,927,910
Other Instructional Activities		13,098
 Pupil Support Services	 0	
Less Equipment for Pupil Support Services	<u>0</u>	
Net Pupil Support Services		0
 Instructional Staff Services	 63,982	
Less Equipment for Instructional Staff Services	<u>0</u>	
Net Instructional Staff Services		63,982
 School Administration	 164,603	
Less Equipment for School Administration	<u>15,151</u>	
Net School Administration		<u>149,452</u>
 Total General Fund Instructional Expenditures (Total of Column B)		 \$ <u>2,154,442</u>
 Total General Fund Equipment Expenditures (Object 730, Function Series 1000-4000)		 \$ <u>19,921</u>
 <u>Certain Local Revenue Sources</u>		
Local Taxation Revenue		
Constitutional Ad Valorem Taxes		0
Renewable Ad Valorem Tax		0
Debt Service Ad Valorem Tax		0
Up to 1% of Collections by Sheriff on Taxes Other than School Taxes		0
Sales and Use Taxes		<u>0</u>
Total Local Taxation Revenue		\$ <u>0</u>
 Local Earnings on Investment in Real Property		
Earnings from 16th Section Property		0
Earnings from Other Real Property		<u>0</u>
Total Local Earnings on Investment in Real Property		\$ <u>0</u>
 State Revenue in Lieu of Taxes		
Revenue Sharing-Constitutional Tax		0
Revenue Sharing-Other Taxes		0
Revenue Sharing-Excess Portion		0
Other Revenue in Lieu of Taxes		<u>0</u>
Total State Revenue in Lieu of Taxes		\$ <u>0</u>
 Nonpublic Textbook Revenue		 \$ <u>0</u>
 Nonpublic Transportation Revenue		 \$ <u>0</u>

DOWNSVILLE CHARTER SCHOOL, INC.**Downsville, Louisiana****Education Levels of Public School Staff****as of October 1, 2012****Schedule 2**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	18	66.6%						
Master's Degree	7	26.0%			1	100%		
Master's Degree + 30	2	7.4%						
Specialist in Education								
Ph.D. or Ed.D.								
Total	27	100%			1	100%		

DOWNSVILLE CHARTER SCHOOL, INC.

Downsville, Louisiana

Number and Type of Public Schools

For the Year Ended June 30, 2013

Schedule 3

Type	Number
Elementary	
Middle/Jr High	
Secondary	
Combination	1
Total	1

Note Schools opened or closed during the fiscal year are included in this schedule

DOWNSVILLE CHARTER SCHOOL, INC.
Downsville, Louisiana
Experience of Public Principals, Assistant Principals and
Full-time Classroom Teachers
As of October 1, 2012f

Schedule 4

	0-1 Yr	2-3 Yrs	4-10 Yrs	11-14 Yrs	15-19 Yrs	20-24 Yrs	25+ Yrs	Total
Assistant Principals								
Principals					1			1
Classroom Teachers	5		2	2	4	6	8	27
Total	5		2	2	5	6	8	28

DOWNSVILLE CHARTER SCHOOL, INC.**Downsville, Louisiana****Public School Staff Data: Average Salaries****Full-time Classroom Teachers****For the Year Ended June 30, 2013****Schedule 5**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	49,606	49,606
Average Classroom Teachers Salary Excluding Extra Compensation	49,026	49,026
Number of Teacher Full-Time Equivalents (FTEs) Used in Computation of Average Salaries	27	27

Note Figures reported include all sources of funding (i e , federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers, some teachers may have been flagged as receiving reduced salaries (e g , extended media leave), and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

DOWNSVILLE CHARTER SCHOOL, INC.**Downsville, Louisiana****Class Size Characteristics****As of October 1, 2012****Schedule 6**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr High								
Middle/Jr High Activity Classes								
High								
High Activity Classes								
Combination	80.5	120	19.5	29	0	0	0	0
Combination Activity Classes	50	5	20	2	30	3	0	0

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

DOWNSVILLE CHARTER SCHOOL, INC.
Downsville, Louisiana
Louisiana Education Assessment Program (LEAP)

Schedule 7

District Achievement Level Results	English Language Arts		Mathematics	
	2013		2013	
Students	Number	Percent	Number	Percent
Grade 4				
Advanced	0	0%	0	0%
Mastery	2	8%	5	21%
Basic	14	59%	11	46%
Approaching Basic	7	29%	5	21%
Unsatisfactory	1	4%	3	12%
Total	24	100%	24	100%

District Achievement Level Results	Science		Social Studies	
	2013		2013	
Students	Number	Percent	Number	Percent
Grade 4				
Advanced	0	0%	0	0%
Mastery	1	4%	0	0%
Basic	14	59%	17	71%
Approaching Basic	7	29%	6	25%
Unsatisfactory	2	8%	1	4%
Total	24	100%	24	100%

District Achievement Level Results	English Language Arts		Mathematics	
	2013		2013	
Students	Number	Percent	Number	Percent
Grade 8				
Advanced	0	0%	0	0%
Mastery	0	0%	0	0%
Basic	9	60%	4	27%
Approaching Basic	5	33%	8	53%
Unsatisfactory	1	7%	3	20%
Total	15	100%	15	100%

District Achievement Level Results	Science		Social Studies	
	2013		2013	
Students	Number	Percent	Number	Percent
Grade 8				
Advanced	0	0%	0	0%
Mastery	1	7%	0	0%
Basic	7	47%	7	47%
Approaching Basic	5	33%	7	46%
Unsatisfactory	2	13%	1	7%
Total	15	100%	15	100%

Note: Spring 2013 LEAP test data was used to prepare this schedule for "All Testers " This is the first year of operations for the School, therefore there is no test data for 2012 and 2011

DOWNSVILLE CHARTER SCHOOL, INC.

Downsville, Louisiana

Graduation Exit Examination (GEE)

Schedule 8

Note: GEE has been discontinued and therefore no 2013 test scores were available. This is the first year of operations for the School, therefore there is no test data for 2012 or 2011.

DOWNSVILLE CHARTER SCHOOL, INC.

Downsville, Louisiana

iLeap Tests

Schedule 9

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0%	0	0%	1	4%	0	0%
Mastery	0	0%	4	16%	4	16%	2	8%
Basic	15	60%	9	36%	11	44%	11	44%
Approaching Basic	5	20%	6	24%	5	20%	9	36%
Unsatisfactory	5	20%	6	24%	4	16%	3	12%
Total	25	100%	25	100%	25	100%	25	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	3	10%	0	0%	2	7%	0	0%
Mastery	16	54%	9	30%	13	43%	9	30%
Basic	10	33%	16	54%	13	43%	18	60%
Approaching Basic	1	3%	4	13%	2	7%	1	3%
Unsatisfactory	0	0%	1	3%	0	0%	2	7%
Total	30	100%	30	100%	30	100%	30	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	1	3%	0	0%	2	6%	0	0%
Basic	18	55%	23	70%	17	52%	16	49%
Approaching Basic	7	21%	3	9%	11	33%	12	36%
Unsatisfactory	7	21%	7	21%	3	9%	5	15%
Total	33	100%	33	100%	33	100%	33	0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	1	4%	0	0%	1	4%	1	4%
Basic	9	35%	13	50%	10	38%	8	31%
Approaching Basic	9	34%	10	38%	10	39%	7	27%
Unsatisfactory	7	27%	3	12%	5	19%	10	38%
Total	26	100%	26	100%	26	0%	26	100%

Note: Spring 2013 iLEAP test data was used to prepare this schedule for "All Testers " This is the first year of operations for the School, therefore there is no test data for 2012 and 2011